Illinois Tool Works Inc. ("ITW") celebrated its 100th anniversary last year as a U.S. manufacturer of value-added components and systems.

Company snapshot:

- $18 billion in revenues in 2012
- Fortune 150 Domestic Company
- Fortune 400 Global Company
- Ranked among the top 100 patent recipients in 11 of the last 12 years
- Employs 24,000 men and women in nearly 400 manufacturing sites in 45 states

ITW primarily supports two tax reform provisions as a package:

1. **Adopt a territorial international tax system; and**
2. **Lower the overall corporate rate to no more than 25%.**

Like other public companies, our investors expect us to generate returns equal to, or in excess of, our cost of capital. These investment returns are measured on an after-tax basis. Higher taxes reduce returns and, thus investment, as fewer projects meet required rate-of-return "hurdles." ITW believes that tax policy is a key determinant of investment activity and its impact on job creation.

Adopt a Territorial International Tax System

Our international competitors' economies impose lower tax rates on profits generated, but also allow full or partial tax relief for subsidiary dividend payments. The cost of the "worldwide" method the United States uses to calculate a company's tax liability results directly in the inefficient use of offshore profits by U.S. based multinationals. Further, this "worldwide" method puts U.S. based multinationals at a competitive disadvantage when competing against foreign based companies both here at home and elsewhere. Bringing these offshore profits home under the "worldwide" method creates an added cost for the corporation that reduces returns for which it is penalized by its investors and, in turn, reduces its ability to invest fully here in the U.S. Increased investment of these profits in the U.S. will, under a switch to the "territorial" method of taxation, boost economic activity here at home, in the long term.

Lower the Overall Corporate Rate to no more than 25%

If the U.S. couples the adoption of a territorial international tax system with the lowering of the overall corporate tax rate to no more than 25%, this would allow U.S. based corporations to more efficiently deploy offshore cash. In ITW's case, over $2 billion in cash could be invested without negatively impacting returns. The increased efficiency of the company's use of cash would be used to invest in new and existing businesses and to return capital to our shareholders (wherein that capital would be taxed and likely be redeployed in other businesses, including small and start-up companies). This ultimately will result in increased jobs and revenue to the U.S.

ITW strongly urges Congress to pursue both provisions as part of any tax reform legislation.

By making these changes to U.S. tax policy, ITW and other companies would be encouraged to invest in additional projects, innovation, and workers in the U.S. As Congress considers tax reform to establish business certainty and promote long-term job and economic growth, please consider ITW as an available resource to provide any information and support that you would find useful.